

PAPERS FROM THE SOCIETY

FOR THE

Diffusion of Political Knowledge.

THE HISTORY OF THE WAR DEBT OF ENGLAND;
THE HISTORY OF THE WAR DEBT OF THE UNITED STATES,
AND THE TWO COMPARED.

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READ—DISCUSS—DIFFUSE.

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Resolved, That it be recommended to all citizens in the various cities, counties, and villages of this and other States, who approve of the objects expressed in this Constitution, that they organize auxiliary societies, and open communication with the New York Society, for the purpose of circulating our papers.

The permanent war debt of England is a modern experiment in social philosophy, and has a well known history, which our people may now review with advantage. *Temporary* war debt, to be paid out of the taxes of the *passing year* was common to the ancients, but a *permanent* war debt dates back only to Charles II. Indeed, the war debt, which has become a *permanent burden on the productive labor* of England, was not acknowledged as such until 1829, and after the whole debt had been incurred, when all attempts at diminishing the debt were abandoned by Parliament, leaving the interest on about four thousand millions of dollars to be paid perpetually by the labor of England to the children of those people who lent the money to the Government instead of paying it in taxes to support the war.

The beginning of the debt was curious. Charles had borrowed six and a half millions of dollars from the goldsmiths, (who were the bankers of the rich people), and given them an order on the exchequer for the return of the loan when the taxes of the year should be collected. But, when the time came for payment, the doors of the exchequer were shut against the goldsmiths. The owners of the money were ruined. London was filled with dismay. Bitter and loud reproaches fell on the king. He was assailed from the pulpits. Sermons were preached from the text, "Put not your trust in princes." Indications of violence were common in the streets.

To quiet this clamor, it was arranged that annual interest should be paid out of the revenues of each year to the owners of this money. Thus, the *burden of the passing year* was thrown on the *earnings of following years*. William and Mary, finding this precedent, followed it, and borrowed on terminable bonds, resembling our "five twenties," always promising and endeavoring to pay after the war. With various attempts to pay in time of peace, but steadily increasing the debt in time of war, the amount had reached six hundred and sixty-five millions of dollars, in 1765.

The question of paying this debt was anxiously discussed; projects to this end were presented in Parliament; but, the discussion was turned aside by the in-

roduction of a new financial scheme which turned the heads of men in power, and carried away the popular judgment. The fallacy was this: It was asserted that a small sum of money kept at compound interest, in the hands of commissioners, would ultimately pay the largest possible amount of public debt. The Reverend Dr. Price, the reputed father of this fallacy, was as sincerely deluded as other reformers have been. He confidently showed that one penny, compounded from the birth of Christ, would produce globes of gold at the present day. The government believed it had found the lamp of Aladdin, and applied it to finance. Accordingly the sum of only a few millions of dollars was borrowed and committed to a board of trusty men as a *sinking fund*, which was sure to redeem England out of any war debt which might be incurred.

From that time the English people cherished the war temper without compunction or restraint. No fear of pecuniary consequences tempered the taste for war. The poets and the pulpits called for blood. The exchequer called for loans, and got them, while it was thought quite impertinent to tax present wealth for the payment of war expenses, which the sinking fund was sure to pay.

Time, and two wars with America and perpetual war with France, brought England to Waterloo, and to four thousand millions of war-debt. Then Professor Hamilton proved to the satisfaction of all that, the sinking fund was a mere fallacy, and that nothing but increased taxes or diminished expenses could extinguish one penny of the debt. The history of the fallacy is remarkable. At first, there were only a few millions set apart to pay in future all possible war debt. As the wars went on and the debt rolled up, Dr. Price seems to have had some misgiving of this theory, and strenuously insisted on borrowing more money to increase the sinking fund. So that, when the fallacy was exploded and the fund abolished, it was found that the cost of making these loans and managing the fund had wasted some three millions of dollars. How such a gross fallacy should have deluded a whole nation is now the special wonder of English statesmen. But, convenient

fallacies are always popular at the beginning of a war.

Faithful to the old idea of paying a war debt in time of peace, the Parliament resolved, in 1819, to set apart twenty-five millions of dollars in each year for this purpose. This would have extinguished the debt in 160 years. But the pressure was too great; and after a few years, the resolve to pay was abandoned, and never renewed. In 1829 the holders of these five-twenties were invited to bring in their bonds and exchange them for permanent bonds.

No one now can doubt that, the popular fallacy of the sinking fund made war the popular amusement of Englishmen during forty years. This amusement gave offices to the sons of unoccupied families and to the younger sons of the nobility. Of course, the clergy, dependent on these families, prayed earnestly for the war. Unlike feudal incomes, which bound only the products of a *single* tenant, this permanent debt bound the whole productive labor of all the industrial classes, and bound them for all time; while it gave, to the unoccupied owners of the bonds a complete and perpetual security for a fixed income, however it might become harder for the laborers to earn that income. Owners of these bonds are loud in their praises of a national war debt; but the more prudent of them would dislike to see the debt increased.

But, in consequence of this perpetual burden on the labor of England one-eighth of the people of England is in the poor house, and a large part of another eighth has escaped from want to the Colonies.

By way of apology for William and Mary, it is said that it was vital to the people of England that a Dutch man should rule instead of a Scotchman. So when the war of our revolution was commenced, it was said to be vital to the people of England that an English governor should rule here rather than a Scotchman. And when the war with France was begun in 1793, it was deemed of the greatest importance to the people of England that a Bourbon rather than a Bonaparte should rule France. Washington did rule in this country, and a Bonaparte

does rule in France. Had these questions been decided the other way, would the condition of any laborer in the mines, the factories or the fields of England have been better than it now is? No one thinks it would have been better. But, had the wars with America and France been omitted, the laborers would have been spared the burdens of permanent debt.

But, could these wars have been avoided? Let us see. The money borrowed for these wars was already laid up by Englishmen. It could have been taken, in the form of tax, and applied to the support of the wars, instead of being taken as loans on exchequer bonds bearing interest. Now, suppose the government had called together the owners of this money and asked them the question—shall these wars be made, and your money be taken to foot the bills, and you go to work again to lay up new estates. If not: then the wars ought not to have been commenced. For, will any one pretend that the classes of mere labor are to be benefitted by a war, which kills off the able-bodied of their members, fills the ranks of their survivors with cripples, and the land with widows and orphans; and, then, when a new race of vigorous laborers has been produced, lays on these a perpetual burden which sends one-eighth of their whole number to the poor house. In the long peace, which followed Waterloo, while industrial arts have flourished in England more than in any other country or age, yet, in consequence of the war debt, Carlisle says of the laboring class, "Two millions are out of the boat, and five millions are hanging over the side."

The war debt of England was one hundred and fifty years accumulating, and was incurred under false expectations about the *sinking fund*. The best statesmen of England came with unaffected sorrow, to the conclusion that the debt could never be paid. While dwelling sadly on this subject, after Waterloo, the greatest of English statesmen said in Parliament—"War is a game at which few would play if the people were wise." But, had he made this remark at the opening of the American Revolution or of the war with Napoleon, he would probably have been charged with treason.

UNTIL the outbreak of the present war the United States enjoyed among nations the deserved reputation of being the only government which had ever paid off its debt in full, principal and interest, unaided by the tax-gatherer. The freedom of its industrial population and the abundance of its untaxed lands had called hither the enterprising of all nations, and its wealth and population grew on an unprecedented scale. The progress of the whole country may be briefly represented in the following figures from official sources:

Decades.	Immigration.	Population.	Manufactures.	Exports.	Valuation.
1800.....	—	5,303,937.....	—	\$293,634,645.....	\$479,246,636
1810.....	—	7,239,814.....	\$145,385,906.....	383,401,077.....	—
1820.....	—	9,638,191.....	62,766,385.....	462,701,288.....	613,180,107
1830.....	151,634.....	12,066,020.....	111,645,466.....	536,104,918.....	—
1840.....	272,716.....	17,069,453.....	483,278,215.....	892,889,909.....	—
1850.....	1,479,478.....	23,191,876.....	1,055,595,899.....	1,131,458,801.....	7,115,790,180
1860.....	3,075,900.....	31,443,790.....	1,900,000,000.....	2,766,799,881.....	17,008,417,635

The column of immigration gives the whole number that arrived in each decade; and most, if not all of them, settled at the North and West. The population column is composed of the census returns each ten years. The manufactures are the official returns of the annual production at each period. The exports are not the annual exports, but the whole quantity exported for each period of ten years. The valuations are the official returns. The first, for purposes of taxation, was made in 1798, and the second, for the same purpose, in 1815. Those for 1850 and 1860 are the census returns. This return for 1860 indicates a very large increase in value, but it can not all be taken as an accumulation of wealth, since a very large portion consists of land settled at \$1 a \$1 25 per acre, and valued subsequently at much higher rates according to production. The large production in agriculture, manufactures, mining, etc., is always nearly all consumed in the year. That portion which is saved and invested in buildings, roads, ships, banks, companies, accumulated stocks of goods, coin, etc., as instruments of production and trade, bear but a small proportion to the whole annual production. The State and Federal expenses have been very small, comparatively, and the Government has not extracted much from the producers to support large armies, civil officers, government stockholders, and other non-producers, as has been the case in other countries. Nearly the whole of the earnings of the people had remained for their own enjoyment, and to accumulate in a manner to employ more extended industry, and therefore to swell the annual pro-

duction. The great wealth of the country has thus been generally distributed among the people. It has long been a source of complaint with the agricultural sections, that the operation of the customs revenue has been to draw wealth from the producers of the national exports and put it into the pockets of the manufacturers. When the protective system was inaugurated at the peace of 1815, it was earnestly opposed on the ground that it would impoverish the agricultural States to enrich the manufacturing States, and this opposition, growing with the development of the protective system, led to the Compromise of 1831. That compromise was to operate by biennial reduction of the duties to 1841, when the rate was to be 20 per cent., not to be exceeded thereafter. As soon as that point was reached, the tariff was restored, against the protest of Mr. Calhoun, who said: "I shall not dwell on the fact that it openly violates the compromise act, and the pledges given by its author and by Governor Davis, of Massachusetts, that if the South would adhere to the compromise while it was operating favorably for the manufacturers, they would stand by it when it came to operate favorably for the South. I dwell not on those double breaches of plighted faith, although they are of a serious character, and likely to exercise a very pernicious influence over our future legislation, by preventing amicable adjustments of questions that may hereafter threaten the peace of the country."

The revenue of the Federal Government, since its organization, may be said to have been derived entirely from the

customs duties. These have, ordinarily, been equal to the expenditure. In the war of 1812 an attempt was made to eke out the revenues by means of internal taxes, with no great success, however. The lands have given a certain amount of revenue, but it has been estimated that

the cost and expense of management have never been reimbursed: hence that the Government proper has received no aid from that source. The whole revenue and expenditure from March 4, 1789, to July 1, 1861, have been as follows:

Customs revenue.....		\$1,575,152,579 92
Land sales.....	\$175,817,961 00	
Taxes and miscellaneous.....	95,305,322 56	271,123,283 56
Total ordinary revenue.....		\$1,846,275,863 48
Total ordinary expenditure.....		1,453,790,786 00
Total excess revenue.....		\$392,485,077 48
Received for loans.....	\$462,935,644 64	
Paid " ".....	781,886,375 00	
Excess paid.....		\$318,950,730 36

The excess of loans paid includes the Revolutionary debt; the \$60,000,000 principal and interest paid for Louisiana and Florida; also the sums paid Mexico and Texas. It results that the customs revenues have paid the whole expense of the Government proper. When financial revulsions have overtaken the country, causing the revenues to decline, loans have been made which the swelling revenues consequent upon returning prosperity have discharged.

Those customs revenues have been derived entirely from a tax upon imports, or the goods that have come back into the country as the proceeds of produce sold. Without the produce it is very clear there could have been no imports, and, as a consequence, no customs duties. If then we turn to the Treasury tables to ascertain the extent of the exports, we shall have results as follows:

Net importations of goods, 1790 to 1860.....	\$7,104,890,932
Domestic produce exported.....	6,466,900,519
Excess imports.....	\$647,990,413

This excess of imports consists of proceeds of stocks, State and corporate, sold in Europe, earnings of American vessels abroad, and other items. It will be observed that the whole amount received from customs is 22 per cent. of the whole amount of imports. Those imported goods went to the consumers charged with that tax. Inasmuch as they were the producers of the merchandise exported to pay for the goods, the whole amount of the customs was in fact paid by them. If now we look into the character of the exports, we find them to have been as follows since 1820, when the regular official tables commenced:

Total value Domestic Exports, 1820 to 1860.....		\$4,856,863,368
Value of Cotton.....	\$2,574,834,491	
" Tobacco.....	455,181,067	
" Rice.....	87,854,511	
" Naval stores.....	76,181,240	
" Food, etc.....	1,006,951,225	
" Cotton and other manufactures.....	655,861,264	
Net import of goods.....		4,856,863,368
		5,394,671,668
Excess imports.....		\$537,808,300

This excess was met, as previously stated, by an excess of \$347,419,646 in the exports of specie over the imports, by the exports of stocks, earnings of shipping, etc. Of the exports of food, a considera-

ble portion was of Southern origin, and of the cotton manufactures exported, two thirds of the value is due to the raw material. It results, then, that the origin of the exports has been as follows:

Southern States.....	74 per cent.	\$3,581,291,381
Northern States.....	26 per cent.	1,275,571,987

Thus the productions of the Southern States, although interchanged for Northern productions, has paid a large portion.

The net imports and customs duties from 1820 to 1860 were as follows:

Net imports of goods.....		\$5,394,671,668
Net customs duties..... 22.8 per cent.		1,231,456,168
Net customs paid by Southern products.....	\$911,277,565	
“ “ “ Northern “	320,178,603	
		\$1,231,456,168

Thus the average expenditure of the Federal Government during the forty years embraced in this last table, has been \$30,780,000, of which only \$7,800,000 has been supplied by Northern productions.

Under this system of small Government expenses and absence of internal taxes, the whole country flourished even although the accumulation of wealth in the manufacturing States was much more rapid than in the agricultural States. A great and disastrous change has taken place, however, with the outbreak of the present war. From a fertile country,

filled with peaceful arts, an industrial population of saving habits and economical administration of public affairs, we became an immense battle-field, supplied with a hand so lavish that four years of strife have swallowed up the wealth earned in the peaceful pursuits of the nation's lifetime.

The official statement of expenditures for 1862 and 1863, and estimates for half 1864 and all 1865, are as follows, from the report of the Secretary of the Treasury to Congress, 1863:

Years.	Customs.	Lands.	Taxes.	Loans.	Expenses.	Debt at close.
1862.....	\$49,056,397	\$152,204	\$1,795,332	\$529,692,460	\$474,744,778	\$517,372,803
1863.....	69,059,642	167,617	39,125,892	590,266,682	714,709,995	1,098,793,181
1864.....	72,562,018	436,182	77,599,714	593,999,999	750,815,089	1,686,956,541
1865.....	70,000,000	1,000,000	125,000,000	544,978,549	751,815,088	2,231,985,130
Total, four years	\$260,678,057	\$1,756,003	\$243,620,938	\$2,258,937,690	\$2,692,084,949	

If we allow these estimates to be correct, the four years compare with the previous and that they will not be exceeded, then seventy-two years as follows:

Government expenses, 72 years, 1789 to 1861.....	\$1,453,790,786
“ “ “ 4 “ 1862 to 1865.....	2,692,084,949
Excess in four years.....	\$1,238,294,163

Nearly double the amount is expended for the four years that the previous seventy-two years, embracing two foreign

wars, required. This enormous amount is derived as follows:

Expenses.....	\$2,692,084,949
Customs and Lands.....	\$262,434,060
Taxes.....	243,620,938
Loans.....	2,258,937,690

Total receipts.....	\$2,763,992,683
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The expenses of the four years have been derived, one fifth from taxes and four fifths from loans. This is assuming, however, that the estimates of the Secretary will prove correct. If, however, we judge

from the past, there is little hope of this. Thus his tax estimates for 1863, compared with what was actually realized, were as follows:

	Estimate.	Realized.	Deficit.
Direct tax.....	\$11,620,717 99.....	\$1,485,103 61.....	\$10,135,614 88
Internal revenue.....	85,456,303 73.....	37,640,787 95.....	47,815,515 78
Total.....	\$97,077,021 72.....	\$39,125,891 56.....	\$57,951,130 16

This deficit took place during a period of great abundance of money and business activity. Yet the Secretary estimates that the same tax will give \$125,000,000 in the fourth year of war, after continued exhaustion. He estimates, also, that the customs revenue will yield more in a year when the exports are cut off by comparatively short harvests at home and good harvests abroad, than they did in the year of the largest exports of breadstuffs ever

known. Nevertheless we accept his estimates, and we find that July 1, 1865, will see the country with a debt of \$2,231,935,130, providing no more money is appropriated than now asked for, and that \$400,000,000 of the appropriations asked for are not expended. How far these future estimates are to be trusted may be gathered from the same estimates for 1863, compared with the fact:

	Expense.	Debt.
Report 1861, page 22, estimate of expense for 1863.....	\$475,331,245.....	\$897,372,802
" 1863, " 28, actual " " 1863.....	714,709,995.....	1,098,793,181
Excess over estimate.....	\$239,378,750.....	\$201,420,379

This error in the expenses was more than 50 per cent.; consequently the debt, instead of being \$897,372,802, as estimated, was 1,098,793,181, July 1, 1863, with a large amount of claims unpaid. There are already before Congress large amounts of claims for damages by inroads and devastation, also large sums for bounties, which will swell the appropriation, and if all are called for the debt can not be placed below \$3,000,000,000 July 1, 1865. The debt of the Confederate

States, according to estimates based on the recent report of Mr. Memminger, will at the same time be \$2,500,000,000, which represents the sum that the Confederate Government owe for labor, materials, munitions, and other capital consumed during the war.

If now we turn to official sources, and take the population, census valuation of existing property, State debt, and proportion of public debt for each State, we have results as follows:

Population, Census Valuation, State Debts, and Proportion of Federal Debt to each State.

States.	Population.	Real Estate.	Personal.	State Debt.	Proportion of Federal Debt.	Total.
California.....	818,116...	\$66,906,681...	\$72,748,036...	\$4,271,714...	\$58,538,740...	\$62,905,456
Connecticut.....	460,151...	191,478,842...	149,778,131...	1,087,000...	69,348,150...	70,985,150
Illinois.....	1,711,758...	287,219,940...	101,987,438...	12,337,881...	258,010,200...	270,347,581
Indiana.....	1,350,941...	201,829,992...	119,212,432...	8,755,453...	208,596,370...	212,352,822
Iowa.....	674,948...	149,438,428...	55,738,560...	1,122,295...	101,719,800...	102,842,096
Kansas.....	107,110...	16,088,602...	6,429,630...	...	16,154,670...	16,154,670
Maine.....	628,276...	86,717,716...	67,662,672...	1,499,000...	94,687,250...	96,186,200
Massachusetts.....	1,281,065...	475,418,165...	301,744,651...	10,988,919...	135,590,720...	196,519,639
Michigan.....	749,112...	128,605,084...	39,927,921...	2,649,335...	112,896,670...	115,546,005
Minnesota.....	162,022...	25,891,771...	6,727,002...	316,682...	24,417,900...	24,784,532
New Hampshire.....	376,022...	59,638,846...	64,171,743...	...	49,141,350...	49,141,350
New Jersey.....	672,081...	151,161,942...	145,620,550...	531,820...	101,268,900...	101,500,720
New York.....	3,887,542...	1,069,658,030...	320,806,558...	30,487,204...	585,532,600...	616,869,864
Ohio.....	2,339,599...	687,518,121...	272,348,980...	17,656,223...	853,417,500...	871,074,022
Oregon.....	52,464...	6,279,602...	12,745,318...	...	7,906,500...	7,906,500
Pennsylvania.....	2,906,370...	561,192,980...	158,060,355...	40,448,961...	438,036,900...	478,435,861
Rhode Island.....	174,621...	83,778,204...	41,326,101...	1,200,000...	81,392,600...	82,592,600
Vermont.....	815,116...	65,639,973...	19,118,646...	954,000...	47,490,800...	48,474,800
Wisconsin.....	775,873...	148,288,766...	37,706,723...	1,200,000...	117,087,600...	118,137,600
Total.....	18,898,102...	\$9,674,937,031...	\$1,955,820,248...	\$185,486,047...	\$2,858,470,520...	\$2,993,956,567

This debt exceeds by \$1,000,000,000 the whole personal estate—the accumulation of eighty years.

In addition to the Northern debts are those of towns, counties, and cities, which will swell the aggregate by 100 millions. Thus the liability of New York State is \$616,369,864; of this \$154,092,466 falls upon the city of New York, and must be increased by the city debt \$20,000,000, making \$174,092,466; \$1,070 for each

family of five persons, and equal to the whole personal property assessed in 1861.

The following table gives the same features for the Southern States. The personal valuation in the third column embraces the slave property at a valuation of three hundred dollars each (which corresponds with the price at which the white men are estimated at the War Department). The aggregate of this

property is nearly \$1,200,000,000, and there remains \$1,977,814,611 as the value of all other personal property at the South. This has been largely reduced through consumption, non-production, and the devastations of war. The pro-

ductive power of the land has also been reduced by the destruction of the facilities for production, which must be replaced from new earnings on the return of peace.

States.	Population.	Valuation.		State Debt.	Public Debt.	Total.
		Real Estate.	Personal.			
Alabama.....	964,296...	\$155,084,089...	\$277,164,673...	\$5,098,000...	\$156,998,900...	\$162,997,900
Arkansas.....	485,427...	68,254,740...	116,956,590...	3,092,623...	78,565,800...	81,658,422
Delaware.....	112,218...	26,273,808...	18,403,439...	...	22,408,800...	22,408,800
Florida.....	140,439...	21,722,810...	47,206,575...	158,000...	22,250,600...	22,414,600
Georgia.....	1,057,829...	179,801,441...	493,430,946...	3,170,750...	175,310,100...	178,480,850
Kentucky.....	1,155,718...	277,925,054...	250,287,639...	5,574,244...	214,108,500...	26,682,744
Louisiana.....	706,290...	280,704,988...	155,062,277...	10,023,903...	115,765,590...	125,789,708
Maryland.....	687,084...	65,441,588...	231,798,300...	14,854,204...	131,046,900...	145,901,704
Mississippi.....	791,396...	157,836,737...	851,686,175...	7,271,707...	128,925,200...	181,196,907
Missouri.....	1,182,317...	158,450,577...	118,485,274...	19,083,009...	228,398,206...	247,876,100
North Carolina.....	992,667...	116,868,578...	175,981,029...	18,273,506...	112,557,000...	126,835,505
South Carolina.....	703,812...	129,772,634...	859,545,444...	6,192,748...	109,071,000...	115,263,748
Tennessee.....	1,109,847...	210,991,180...	162,504,020...	16,643,607...	200,849,400...	217,493,007
Texas.....	602,432...	112,476,018...	155,816,322...	...	106,531,506...	106,531,500
Virginia.....	1,596,079...	417,952,228...	289,069,108...	\$3,005,159...	281,265,000...	61,265,150
Total Southern.....	12,247,276...	\$2,869,008,451...	\$3,177,846,111...	\$183,101,444...	\$2,080,298,400...	\$2,218,394,844
Total Northern.....	18,898,102...	9,674,987,031...	1,955,820,248...	185,486,047...	2,858,470,520...	2,993,958,567
Total.....	31,145,878...	\$12,043,945,482...	\$5,133,634,859...	\$273,587,491...	\$4,938,768,920...	\$5,212,351,411

This enormous debt is to be provided for. The borrowing must cease. The public expenditure be reduced, and the interest and expenses gathered from the diminished capital and industry of the country. The extent of the annual de-

mand after 1865 may be estimated, under the supposition that peace will then have been restored. We may compare the ordinary expenses of the Government under this state of affairs with what they were before the war, as follows:

	UNITED STATES EXPENDITURE.		
	1860.	1863.	1866. Peace Estimate.
Civil list.....	\$6,148,655....	\$6,350,618 18....	\$8,500,000
Foreign intercourse.....	1,163,207....	1,231,413 06....	2,400,000
Interior—pensions, Indians, etc.....	3,955,687....	4,216,520 79....	20,000,000
War department.....	16,409,767....	599,298,600 83....	120,000,000
Navy.....	11,513,150....	63,211,105 27....	25,000,000
Miscellaneous—lighthouses, building, etc.....	20,658,008....	15,671,890 24....	20,000,000
Total.....	\$69,848,474....	\$689,980,148 97....	\$195,900,000
Interest public debt.....	2,638,464....	24,729,846 61....	171,480,000
Total.....	\$72,486,938....	\$714,709,995 68....	\$367,380,000
Customs revenue.....	53,187,511....	69,059,642 00....	70,000,000

The future expenditures of the Government can no longer be measured by the past. The incidents of the war will, in any event, involve a very large increase in expenses. Thus the pension list was \$1,000,000, including some Revolutionary claims of eighty years' standing. 1,500,000 men have been now called to arms, and the pensions that will accrue to them can

not be measured. They are already \$7,000,000. The bounties sweep away all future revenue from land. The tax gatherers, assessors, etc., will henceforth be a formidable expense. The army, which was before never over 12,000 men on the peace footing, will henceforth be fully 100,000. The numbers of the troops are computed thus:

	1860.	1863.	1866.
Officers.....	1,083.....	160,000.....	11,000
Non-commissioned and privates.....	11,488.....	800,000.....	100,000
Total.....	12,471.....	960,000.....	110,000

If 12,471 men in 1860 cost \$16,409,767, the future cost can not be less than \$120,000,000. The expenditure per man will be more in 1866 than in 1860, be-

cause there will be required more transportation. We have reduced the figures from the official estimate.

The number of vessels in the navy is as follows:

	1860.	1863.	1866.
Ships, sailing.....	44....	112....	112
Steamers, screw.....	29....	198....	230
" side-wheel.....	7....	203....	300
" iron-clad.....	—....	75....	150
Total.....	80....	588....	792

If eighty vessels partly in commission in 1860 required an expenditure of \$11,513,150, seven hundred and ninety-two vessels in 1866 require at least four times as much. We have estimated little more than double. The light-houses, public buildings, railroads, and the whole long list of items which make up the miscellaneous expenditure, will require a larger amount than formerly.

It follows from all these considerations that the whole expenditure, including interest, will not be less than \$367,000,000 per annum. We are now to consider what proportion that amount bears to the surplus production of the whole country. The amount of taxes which can be paid each year to the support of the Government can not exceed a portion of the surplus earnings of the people each year, or that portion which each man can spare out of the operations of his business. The capital produced in a year is nearly all expended in the same time. In some years, as those of short crops, probably there is some diminution of capital, which is felt in the increased privations of a portion of the people. It is possible that one year with another ten per cent. of the product of labor may be saved. Of this a portion is applied to the extension of business, improving land, constructing houses, etc., and a portion invested in public stocks. These investments have of late years taken the shape of State, city, and county stocks, railroad capital bonds, bank capital, savings bank deposits, bonds and mortgages, stocks of merchandise, etc., and in the extension of capital applied to the employment of industry. All these applications of capital become taxable. The exact amount of them it is difficult to determine, but the rate of progression may be indicated in the returns of assessed values. The accu-

mulated capital of the country was given in the census at its "true value." This amount was \$17,008,417,635 real and personal estate. The value estimated at the formation of the Government was \$600,000,000, consequently \$16,400,000,000 would be the accumulation for seventy years, which would be an average of \$234,000,000 per annum during the whole period, or about two thirds the amount required now for the Government. That amount, however, includes a valuation of land which has not accumulated, but has received value which depends upon its annual products. The personal property of the country is \$5,081,661,050, accumulated in seventy years. But it has only been within the last twenty years that property has very rapidly accumulated. The census returns for 1850 and 1860 give the figures as follows:

1850—Real and personal estate...	\$7,115,790,130
1860.....	17,008,417,635
Increase.....	\$9,892,627,455

This accumulation is for the whole Union during a decade of great prosperity, caused by the gold discoveries of California, the extension of railways, the great immigration, and the rapid settlement of lands.

An important element in the accumulation of property has been the fact that the Government has expended so little of the annual production upon military and other unproductive establishments. The wealth has been saved and reapplied by the people in a productive manner. It is a common fallacy to suppose that if the Government expenditures are made "among ourselves," that therefore there is no loss. This is a great error—consumption by non-producers burdens the industrious in proportion to the extent of the consumption. If the Government employs 1,000,000 men destroying lives and property, all that those men consume must be produced by others. In their ordinary pursuits they would themselves produce more than they consume. The Government has hitherto employed very few people, and for revenue, its sole dependence has been the customs duties. These have been levied, as a general thing, at the highest point of revenue. That is, at such a point as would give the

highest incidental protection, without becoming prohibitive, and the amount of revenue has increased with the sum of the exports. This is illustrated in the

following table, showing the leading and aggregate exports, and the duties at several periods:

Years.	Cotton.	Tobacco.	Rice.	Flour & Provs.	Manufactures.	Specie.	Total.	Duties.	P. & A.
1790.....	\$42,935..	\$4,349,567..	\$1,753,796..	\$5,991,171..	—	—	\$19,066,101..	\$3,448,670..	19
1807.....	14,232,000..	6,209,000..	2,307,000..	15,706,000..	\$2,809,000..	—	48,099,592..	15,845,521..	80
1816.....	24,106,000..	12,870,000..	2,378,880..	20,587,876..	2,231,000..	—	64,781,896..	36,206,874..	55
1821.....	20,157,434..	5,643,000..	1,434,387..	12,341,360..	2,752,631..	—	43,671,894..	13,004,447..	30
1831.....	31,724,632..	4,892,388..	2,016,267..	12,434,701..	5,036,890..	\$2,058,474..	61,277,057..	24,234,441..	41
1836.....	71,234,925..	10,053,640..	2,548,750..	9,583,859..	6,107,528..	345,788..	106,916,680..	23,409,940..	23
1842.....	47,598,464..	9,540,755..	1,907,387..	16,902,876..	7,102,101..	1,171,754..	92,969,996..	18,187,908..	20
1847.....	58,415,848..	7,242,086..	3,605,896..	63,701,921..	10,351,364..	62,620..	150,637,464..	31,757,070..	20
1851.....	112,315,317..	9,213,251..	2,170,997..	21,948,651..	20,136,967..	18,069,580..	196,689,718..	49,017,567..	25
1856.....	123,382,351..	12,221,843..	2,390,238..	77,187,220..	30,970,280..	44,143,279..	310,586,890..	64,022,563..	21
1861.....	161,484,923..	21,074,038..	2,207,448..	37,987,395..	\$2,471,927..	57,502,205..	335,894,355..	43,565,234..	16
1860.....	191,806,555..	15,908,547..	2,567,339..	45,216,155..	36,529,892..	56,946,351..	373,189,274..	53,187,511..	17
1861.....	34,051,453..	13,784,710..	1,382,178..	96,844,921..	83,695,266..	23,799,570..	223,699,486..	39,582,125..	—
1862.....	1,180,118..	12,325,856..	156,899..	119,338,735..	26,240,101..	21,044,651..	212,920,639..	49,056,397..	28
1863.....	—	—	—	—	—	55,993,562..	234,430,352..	69,059,642..	30

The rate of duties charged has changed from time time. Thus in 1807 the average was thirty per cent. During the war of 1812 the duties were all doubled, and when peace returned, allowing the accumulated cotton and tobacco to go forward in large quantities to pay for the flood of goods that poured into the country, the revenue was very large, at an average of fifty-five per cent. The rates were restored to the peace standard, but under the protective system were again pushed up to an average of forty-one per cent. in 1831, to be again reduced under the compromise tariff to twenty per cent. in 1841.

In 1851 a new element began to enter into the exports in the gold of California. Previously the increase of the customs had depended upon the growth of cotton,

which, with tobacco and rice, formed the main basis of the customs revenue. The repeal, in 1842, of the British prohibitive duties on the import of provisions, gave an impulse to that trade, which has increased spasmodically with the state of the harvests abroad. The value exported in 1862 was very large, and went far to compensate, in that year, for the great decline in the value of cotton, tobacco, and rice. The export of manufactures is reduced by the same cause. Thus the manufactures of 1860 embraced \$10,934,796 of cotton goods, \$3,382,428 of manufactured tobacco, \$1,916,787 spirits of turpentine—together, \$16,235,011. The exports divide themselves for the two last years, officially reported, as follows:

	1860.	1861.
Southern products.....	\$229,031,026.....	\$65,743,301
Northern ".....	87,211,397.....	138,422,998
Gold.....	56,946,851.....	23,799,870
Total.....	\$373,189,274.....	\$227,966,169

It is apparent from these figures that without the restoration of those Southern products that have furnished so large a portion of the exports, that the customs revenues can not be depended upon for any great increase of revenue. The lands will be entirely absorbed in military bounties.

There will then remain only the taxes, which are of two forms: 1st, direct tax upon property which the Constitution prescribes shall be laid "only in proportion to representative numbers;" 2d, imposts and excises, which shall be "uniform throughout the United States." This embraces the tax upon incomes.

The Constitution also prescribes "no tax or duty shall be laid on articles exported from any State." This does not state "export duty," but duty on "articles exported." Thus flour and wheat are articles exported, and may therefore not be taxed. The same rule, if insisted on, may exempt almost all productions.

It is evident, therefore, that even if the Union were restored with all its productive power unimpaired and its commerce in full vigor, the customs would not give, in the best times, one fifth the required sum; but with the upsetting of the Southern system of labor, the whole of that vast production will cease, and no longer con-

tribute to the wealth of the country. If the customs are included in the indirect taxes, and the amount of all reaches the estimates of the Secretary, there will remain to be collected from direct tax, or imposts on lands, nearly two hundred millions per annum. If then we apportion the direct tax among the States according to representative numbers, as prescribed by the

Constitution, and the indirect taxes according to the probable consumption of the commodities taxed, we shall have the amount to be paid by each State, in addition to the existing State expenses. The sum of all may be compared, with the annual earnings of each State, as in the following table:

State Valuation, State Expenses, Apportionment of Federal Taxes, and State Earnings.

States.	State Valuation.	State Expenses.	Direct Tax.	Indirect Tax.	Total.	State Earnings.
California.....	\$147,811,617	\$4,462,691	\$2,723,070	\$2,633,148	\$6,818,909	\$12,568,741
Connecticut.....	224,758,619	224,101	4,623,210	3,698,568	8,545,879	10,566,994
Illinois.....	407,477,367	393,000	17,193,265	13,758,612	31,349,877	29,269,472
Indiana.....	455,011,378	985,728	13,573,125	10,859,100	25,417,953	30,214,097
Iowa.....	146,287,025	288,851	6,781,820	5,425,056	12,494,727	11,221,101
Kansas.....	22,518,232	20,000	1,076,145	860,916	1,937,061	2,500,000
Maine.....	164,714,168	358,527	6,312,390	5,049,912	11,720,829	6,794,300
Massachusetts....	861,547,583	1,163,742	12,368,715	9,894,972	23,327,429	31,554,452
Michigan.....	138,553,848	718,806	7,523,445	6,021,156	14,288,407	10,767,662
Minnesota.....	39,077,532	106,462	1,627,860	1,302,288	2,036,610	3,000,000
New Hampshire....	156,310,800	172,685	3,276,090	2,620,872	6,069,647	6,413,234
New Jersey.....	296,682,442	257,432	6,752,010	5,401,608	12,411,050	10,668,200
New York.....	1,441,767,430	5,106,083	39,059,770	32,547,816	76,713,669	72,639,840
Ohio.....	892,570,438	3,552,995	23,506,335	18,805,068	45,864,398	45,869,780
Oregon.....	21,288,931	55,831	52,710	42,168	150,709	1,622,545
Pennsylvania.....	568,770,234	3,879,054	29,200,785	23,360,728	56,440,567	57,281,101
Rhode Island....	125,104,305	207,484	1,754,445	1,433,556	3,391,485	4,734,543
Vermont.....	84,758,619	224,101	3,166,020	2,532,816	5,922,937	1,308,668
Wisconsin.....	180,984,354	832,101	7,795,320	6,236,256	14,863,677	15,426,832
Total.....	\$6,374,914,922	\$20,009,184	\$188,374,030	\$152,884,616	\$361,267,830	\$364,431,862

The State earnings are ascertained by taking the State valuation on which taxes were paid in 1850 and 1860, and the difference is assumed to be the accumulated capital in ten years, one tenth of that is the earnings per annum. The State valuation may not be the true value, but the valuation at each period will bear the same proportion to the actual; hence the difference will approximate to the true increase.

This result shows that the Government will absorb the whole of the annual surplus earned on the vast scale of prosperity which existed before the war. That measure of prosperity will, however, not again exist. The whole productive system of the South has been changed, and what the future will bring forth none can tell. The Border States have been devastated, and the general position of affairs is expressed in the following table:

	Real.	Personal.	Debt.
North....	\$9,647,937,021..	\$1,955,890,243..	\$3,000,000,000
South....	1,631,922,603..	2,361,340,429..	2,500,000,000
Border....	723,836,951..	764,509,368..	devastated.
Total...	\$12,006,756,535..	\$5,051,661,050..	\$5,500,000,000

The devastation of a country, as long as the people and land remain, does not produce permanent evil; because, although with damaged houses and stock, the production will be resumed, and will very soon equal what it was before. The Border States are, however, already putting in claims for damages, and these will perhaps equal the tax that may be extracted from them. The Southern States may, in case of reunion, not be able to resume their productive labor by reason of the policy pursued toward them, an annual exportable value of \$300,000,000 will thus be paralyzed, and with it their ability to buy the former quantities of Northern produce and manufactures. The capital that did exist at the South has been consumed, and is represented by the \$2,500,000,000 of Confederate paper that may be repudiated, although its issue was supposed to be a means of binding the owners to the fortunes of the Confederacy. If, however, the productive powers of the South are destroyed, these States can neither pay their own debts

nor contribute anything to the Northern debts either by taxation or by the resumption of trade. A result of the war thus far has been to stimulate into activity industries never before pursued at the South. The quantity of food there produced has been largely increased, and henceforth, a large portion of the supplies that formerly were drawn from the North and paid for in the Southern staples, will now be produced on the spot, thus permanently destroying the Western markets for those commodities. The North will no longer be able to purchase with the products of its labor those great Southern staples that have hitherto constituted so large a proportion of our national exports. The census of 1860 gave the Southern productions as follows:

	Value.
Cotton.....	978,311,600 lbs. \$101,834,616
Tobacco.....	185,023,906 " 18,505,390
Rice.....	215,313,497 " 8,612,539
Sugar.....	237,133,000 " 16,599,310
Hemp.....	34,677 tons. 3,883,376
Other agriculture.....	379,135,872
Total.....	\$528,571,103
Number of slaves.....	4,000,000
Product, per head.....	\$132

The cost of slaves per annum is \$75 average; consequently they earned clear \$57 per head: but the \$75 was expended for Western bacon and Northern hats, shoes, jeans, and Negro cloths; consequently the North had a large profit in their work, and the whole production was a national benefit. The project of the President to emancipate and deport those producers out of the country to Central America or elsewhere, at an expense of \$800,000,000, would thus deprive the country of an annual clear product of \$228,000,000, which for twenty years will be \$4,560,000,000. The interest and sinking fund of the cost of transportation for the same period would be \$1,280,000,000, or thus:

Loss of gross production, twenty years.....	\$10,571,422,060
Cost of deportation, twenty yrs.	1,280,000,000

Total cost..... \$11,851,422,060

This loss is to be borne by the Northern people alone, since with the removal of the blacks there would be no Southern industry. The sum is equal to \$360 for

every white soul in the country, or \$1,700 for every family. If the Revocation of the Edict of Nantes, by which some of the productive population of France was driven out of that country, was a fruitful cause of the ruin of the monarchy, what effect would such a blow as this have upon this country? This is the project of the President, however, and it is even less expensive than to allow the emancipated blacks to remain a burden upon the whites forever. On the other hand, were the Constitution, with its guarantees, restored and preserved, the productions of the South would quadruple in the next twenty years. The average aggregate would be \$22,000,000,000, according to the rate of progression, in the last forty years, and that wealth would be diffused throughout every portion of the country, while the black race would be improved and prepared for a higher state of material welfare. Thus the difference between union, peace, and the Constitution, and disunion, war, and anarchy, is immense national prosperity, including that of the black race, on one hand; and national ruin, involving the rebarbarizing of the black race, on the other.

The following table shows the males returned of military age in each State, and the number sent to the field up to the close of 1862:

States.	1860.	1860. Males 15 & 50.	Increase.	Troops Called Out.
California....	42,854..	185,255..	92,901..	9,000
Connecticut..	89,942..	110,929..	20,987..	23,551
Illinois.....	222,772..	449,976..	227,204..	180,059
Indiana.....	253,559..	346,734..	93,145..	96,693
Iowa.....	50,443..	176,968..	126,525..	50,000
Kansas.....	—	29,446..	29,446..	14,000
Maine.....	149,372..	158,265..	9,893..	80,240
Massachusetts	242,046..	296,122..	54,076..	72,107
Michigan.....	104,232..	195,563..	91,331..	47,220
Minnesota...	1,847..	40,965..	45,118..	19,957
N. Hampshire	77,980..	79,981..	2,001..	16,000
New Jersey...	116,726..	161,966..	44,640..	27,400
New York....	772,244..	955,177..	182,933..	*219,059
Ohio.....	502,053..	585,560..	83,507..	1164,402
Oregon.....	4,069..	15,757..	11,688..	1,500
Pennsylvania	571,367..	713,973..	142,606..	230,000
Rhode Island.	85,170..	41,151..	5,981..	10,000
Vermont....	79,329..	79,207..	—	19,006
Wisconsin...	82,175..	203,898..	121,223..	42,537
Total.....	3,896,715..	4,781,998..	1,885,273..	1,227,756

Now it will be observed that the men called out up to the close of 1862 only,

* Including 15,838 three-months men in the summer of 1862.

† Including 16,659 in summer 1862.

‡ Including 50,000 men to repel invasion September, 1862.

nearly equalled the whole increase of the males of the militia age in ten years. The estimates of losses on the best authorities have been as follows:

Killed.....	27,981
Wounded, 115,091; one third disabled..	38,363
Deaths by disease.....	170,000
Disabled ".....	250,000
Total loss.....	458,363

In an economical point of view the disabled men are more burdensome than the killed, because they are no longer

active producers, but permanent consumers at the expense of others. We have then the fact that one third of the whole ten years increase of males of the military age have been swept away. This important consideration also remains, in that there arrived during the ten years in the country, and settled in the States enumerated, 3,075,900 immigrants, and these supplied 800,000 men of the military age. The result of this influence is seen in the following comparison:

	1850.	1860.	Increase.	P. 4
Southern States, military age.....	920,883.....	1,189,079.....	268,196.....	23
Northern " " ".....	3,396,715.....	4,781,993.....	1,385,278.....	41

We have in these figures the effect of immigration in increasing the military strength of the North. The reverse of the picture is, however, the vast numbers of disabled and demoralized young men who are to be thrown as burdens upon an overtaxed population, whose means of industrial development has been largely reduced.

The two war debts compared as to their amount, their pressure, and their effects on the productive labor of the two countries.

The exact amount of the English war debt in 1860 was \$3,912,669,772; and the interest in that year was \$137,072,903. It is not known to have varied since that time.

Since the foregoing estimate of the war debt of the United States was made up, it has become probable that, war appropriations will be made by the present Congress, before its adjournment, to the extent of one thousand millions of dollars. The bills already passed or reported cover about seven hundred millions, and the rest is on the road. This will raise the amount of the whole debt to about the same figures as the war debt of England: about \$4,000,000,000.

This conclusion was reached before the publication of the Letter of Mr. Thurlow Weed, in which he comes to the same figures, and to the conclusion that it cannot be paid, but must remain, at least three-fourths of it, as a permanent national debt.

It is well known that the English Government honestly intended to pay the

war debt, and a law for that purpose was passed in 1819, which, if it had been enforced would, by this time, have extinguished about one-fourth of the whole. But the yearly cost of the peace establishment had been so enormously increased that this, added to the interest on the war debt, was all that the nation could endure without endangering revolution and repudiation. Even this pressure sends one-eighth of the people to the poor house. And if England had not the Colonies as well as the poor house, she would want more soldiers at hand to prevent revolution.

England is the richest nation on earth, and more able than any other to pay the principal of a war debt. Wealth, available for the payment of such debt must be measured by money incomes, and by resources, which labor may convert into money after paying the laborers and the interest of the capital employed. Among these resources coal is king and iron is queen, and incomes, in gold and silver, are their beautiful children.

The coal raised from the English mines last year was eighty millions of tons. The iron made and sent out of England was about four millions of tons.

Taking these as rough measures of ability to pay, and comparing them with the ability of the United States to pay a war debt, we find their power to be about seven times as great as our own. We raised about eleven millions of tons of coal in the last year—about one-seventh of the quantity raised by England

The iron products were not very far from the same proportion. But, it may be thought that, the taxable incomes would be a more just measure of comparative ability to pay. Now, if incomes may be measured by the amount they yield in taxes, we are able to give the exact figures. The revenue derived from our income tax last year was \$11,241,101, while that of England amounted to \$53,240,000.

Here we find that the proportion does not differ essentially from the proportion of their coal to ours. Should it be said that our incomes have not yet learned to pay taxes, it may be replied that, under present arrangements, our incomes are likely to pay less rather than more in the future. Those who have seen the figures, and made the estimates, declare that England taxes five times as much wealth as the United States, and the income tax confirms it. The indications from coal, iron and incomes look in that direction. But, however that may be, it will not be questioned that the ability of England to pay her war debt is much (if not many times), greater than ours. She cannot pay hers; can we pay ours? This is the question.

When the English statesmen found that the principal of their war debt could not be paid, they next inquired how they could provide for prompt payment of the interest.

1. They did all in their power to reduce the interest to the lowest possible rate. Some part of the debt was contracted at high rates of interest. But, by good management, through a series of years, they brought it down to three and one half per cent., which is the present rate. With a long peace, great commercial prosperity, and a vast increase of the gold production, they may be able to reduce the rate still lower. But, meanwhile, the interest was accruing.

2. The English statesmen employed their ingenuity in devising a system of taxes which could be endured and yet be sufficient. The stern resolve to pay promptly inspired the people to endure bravely. The return of peace made personal abstinence hopeful and welcome. But the experiment was new; for, while war raged, they had continued to borrow, and defer the public burden: now they saw that borrowing must cease when

the hope of payment was gone; but, they knew not, even then, on whom the pressure of the tax for interest must ultimately fall. The simple doctrines, since developed by J. S. Mill, were vaguely perceived. They thought that taxing beer at the brewery and tobacco at the warehouse laid the burden on the brewer and the merchant, but Mill has taught them that the laborer must ultimately feel the whole pressure on his pipe and cup, because the beer and the tobacco would cease to be produced, unless the capitalist was first paid his interest and profit, and the manufacturer his share, while every tax must be added to the commodity and collected from the consumer, taking from wages every such addition; otherwise the capital would go to other occupations, or other countries.

Then it was obvious that, the day laborer needed as much beer and tobacco as the merchant or the landlord; but, while the latter could bear this burden without stinting his bread or his shoes, the day laborer could not. So the day laborer, pinched, experimentally, at all points until sickness completed his discouragement, and he sought refuge in the poor house or got a free ticket of leave to the Colonies. The poor house and the Colonies were not taxed.

To mitigate the pressure on the class of labor, the corn-laws were repealed, so that laborers might have a chance for cheaper food. Then the income tax was imposed to give some relief to labor. But, "once a pauper always a pauper." The poor house flourished. Reliefs have been and still are tried, but yet the pauper class outgrows all others. It includes one-eighth of the whole people.

The laborer is not taxed on his wages, but he is taxed on everything bought with his wages; and, on most articles, he pays the same tax as the landlord or the merchant.

Look at it in another light, and the result is even worse. All the wealth produced in the year to pay this interest is produced by manual labor, which is applied, in wages, to the machinery, raw material and provisions previously laid up by the capitalist. Capital can float to any country where it will give the best return to the owner. The average profit of capital in the whole world must be

gained in England or the capital will migrate; not so, the laborer; he is bound by habit, family and language; and the larger his class the smaller his pay. The whole product of labor applied to capital goes first to remunerate the capitalist; after him comes the tax gatherer, for his share is taken out of what would otherwise go to the laborers, and what remains is *wages*. The capitalist may *advance* the tax, but to be returned to him by the merchant, who collects it, in the advance price of the commodity from the consumer, and the laborers being nine tenths of the whole people pay the great body of the tax. In England there is one relief for labor; what is collected as tax from the incomes of the rich is so much saved to the tax on labor. But, with this exception labor must produce the interest on the war debt. Under this course of things capitalists grow richer. England is the richest country on earth, because she has the coal and iron and machinery on the easiest terms; but this does not diminish her paupers. Nor can any power on earth change this case unless by lowering the rate of interest or raising the income tax.

When the permanent funding of the public debt was adopted as the future plan of the exchequer, the *owners* of these bonds were *pleased*. Capitalists were ready to buy them instead of engaging in commerce or manufactures; and it was common to speak of them as a part of the capital of the kingdom. The labor, which was at work in the fields, the mines and the factories knew nothing and thought nothing of what was being done in its behalf. But men began at length to examine the nature of this capital, represented by 4,000,000,000 of dollars of bonds. They found that the bonds not only did not answer to any of the descriptions of capital given by economists, but that they were to the productive capital of England a minus quantity; they represented *so much capital* which had been carried to America, India, France, and Spain, and had been *entirely consumed* in war, no part of it appearing in any new form of wealth in England; but it did re-appear in the *ghostly form of so much poverty*, which could be appeased only by taking 140 millions of dollars from the labor and in-

comes of the people every year to lay this ghost, *before the laborers could feed or clothe their families*. It raised the laborer to early tasks, pricked him on when his strength failed, and haunted his dreams when he slept.

But, heavy as this poverty was it was not attended by the common miseries of war—there had been no destruction of private property in England. England endured, with great composure, the destruction her soldiers and subsidies carried to homes in other lands. And her laborers had not new homes to prepare for themselves before applying their shoulders to the yearly burden of an eternal debt.

The products of English labor taken to pay this interest pass through numberless changes to reach the consumer; every improver and conveyer of a commodity has added a value; and, at every change the merchant has advanced the tax, and *taken it out of the laborer's share*, so that the commodity may be kept low, and compete in the market of the world with like commodities produced in countries not so taxed.

3. If we turn now to the prospect before American labor, we have only to apply the experience of English labor for the last forty years. If the interest on our debt were three and a half per cent., and if incomes in our country could and would pay as largely as the incomes of Englishmen, yet there would be against our labor the comparative advantage the English enjoy in the maturity of their manufactures and commerce, and the ease with which they obtain coal and iron to send their products over the world. But, unfortunately, our debt has been contracted at five and six per cent.; and, by a strange oversight, our bondholders are excused from the payment of taxes. Any attempt to reduce the rate of interest, or to tax these bonds, will be resisted by arguments and influence, which nothing but the fear of repudiation would subdue. And to oppose these arguments would be an attempt at repudiation. But, meanwhile, it is obvious that, with the nearest and earliest possible close of the war, the labor of this country must hereafter carry a yearly load more than twice as heavy as that which the labor of England has carried during the last forty years.

Questions more profound, more obviously affecting men's daily bread, and far less hopeful of solution than ever agitated the North and the South, are sure to spring up on this subject. Every day men will look with more anxious interest for the appearance of a statesmanship which will compose our affairs and quiet the apprehensions about prolonged and ineffectual war. Thoughtful men are weighing the value of a constitutional government, which gives a worse promise for labor than the constitutional monarchy of England now gives to English labor. Nor can the true state of this case, the actual and future condition of our public finances, be much longer kept out of the winter evening talk of our farmers, mechanics, and trades-people who meet around their home fires and inquire what the future of the country promises for them and their children. They will see the condition of English labor consequent on the payment of their interest, they will observe that the pressure on labor here will be twice as great as there; they will inquire what relief our labor may expect from the income tax; and when they are told that English labor was relieved, last year, by an income tax of fifty-three millions, while the American income tax, last year, was only eleven millions, they will look despairingly on the prospect before them and their children.

CONCLUSION.

The financial scheme of the English party which prosecuted the war against America and France rested largely on the fallacy of the sinking fund. Mr. Pitt did not clearly foresee what a load he was preparing for English labor to carry

through all time. But English labor had groaned forty years under the burden and the groans had reached our shores by every emigrant ship before 1860. The English poorhouse was well understood here before Dickens laid bare its enormities—before *Oliver Twist* was born.

Our rulers *knew what* they were doing, and *why*, when they neglected to levy and collect the amount of the war burden in each year of the war; but, instead of taxing, went on to run up a war debt, which they well knew could never be paid; and, which they knew as well *then* as *now*, must drain its interest, forever, from the yearly earnings of productive labor, except so far as income tax might relieve it. And what relief will eleven millions of income tax give to a yearly tax of hundreds of millions to be earned in each year, to stop the gap made in the commonwealth by borrowing for war purposes four thousand millions of dollars?

The best apology for our rulers is found in the example of the rulers of Europe on the same subject. In nearly all the European countries the rulers have run up a war debt, of which only the interest can be paid; a debt which they dare not increase, for fear of resistance from the tax payers—a debt the interest on which is only to be collected by a *strong government*. The peace of Europe is insured, mainly, by the danger of revolution, which would be incurred by increasing the war debt. Is such to be our government and such our security for future peace? Are such fortunes reserved for the children of the people who filled the world with the fame of their constitutional liberty, and their consequent prosperity?